



Crowdfunding and Illicit Financing: Terrorism, Money Laundering, and Foreign Influence Activities



Jessica Davis

Feb 3



I'm taking a short break from the convoy finance series while I work on some details for the next piece. In the meantime, here's a quick look at the vulnerabilities of crowdfunding websites for illicit financing. And a very warm welcome to our many new subscribers! Our community now stands at almost 900 members. I never thought so many people would be interested in illicit financing and other global security issues, so this is great news. If you find this interesting, please share it with a friend and help grow our community even more.

This article takes a look at how crowdfunding is exploited for terrorist financing, and how it can potentially be used for money laundering and funding foreign influence activities. While the vulnerabilities present in many crowdfunding campaigns for these activities are common across different types of financial products, the potential for exploitation by adversarial states is a rarely-discussed vulnerability, and one that might require investigative (and perhaps legislative) responses.

The terrorism - crowdfunding - social media - nexus

One of the main ways that terrorists use social media, aside from propaganda dissemination and general communications, is for fundraising activities. Many terrorist groups use social media to launch crowdfunding campaigns or general calls for donations. In some cases, the calls are explicitly for terrorist activity or groups, while in other cases, it is unclear where the money is going, and it is plausible to assume that not all donors know the money is being directed toward terrorist activities.

After a call for funds is made, donors are often redirected via Skype or Telegram or other direct messaging applications or services in which account information and transaction information is provided. Funds are sent via wire transfer, MSBs, e-mail money transfer, or

hawala, although social media platforms are increasingly developing the native ability to transfer funds between users.

*Want to know more? I write about this and terrorist exploitation of other financial technologies in my book, *Illicit Money: Financing Terrorism in the 21st Century*.*

The internet and social media have significantly enabled this type of terrorist fundraising. For instance, crowdfunding can allow individuals to raise money in a short time online before law enforcement, security services, or the companies themselves become aware of how these platforms are being used.

Although recent terrorist financing schemes using crowdfunding websites have drawn significant attention, this is not a new technique. In 2002, a Hamas website solicited donations for the purchase of AK-47s. The website indicated that a \$2,000 donation could purchase an AK-47 for a fighter. Dynamite could be “donated” for a price of \$100 per kg, and bullets were \$3 each. The website provided donors instructions on how to transfer money to Gaza-based bank accounts.¹

The premise employed in 2002 is the same as today—websites, often crowdfunding sites, advertise the purchase of goods, supplies, or weapons for terrorists (or using a cover story), and donors can provide the funds. But today, the transactions can occur in near real time and can be made more anonymous by combining social media, financial technologies, and cryptocurrencies. This method is not only the purview of terrorist organizations. Individual terrorists (specifically foreign fighters) have also solicited funds in recent years through crowdfunding or individual calls.



For example, in 2019, women detained in a camp for ISIL families in Syria raised thousands of pounds through a crowdfunding campaign. Funds were solicited on Telegram, and participants shared links to several PayPal MoneyPool accounts, collectively raising more than £2000.

More recently, Proud Boys member Nick Ochs was arrested and charged in connection with the insurrection at the US Capitol. To travel to Washington D.C., he raised \$300 on GiveSendGo.com.

While most crowdfunding activity relating to terrorism happens through more informal channels, there remain some vulnerabilities in crowdfunding websites that can be exploited for terrorist financing. However, these same vulnerabilities exist in many other financial services commonly used in North America and Europe. These platforms allow users to donate money to a “cause” or charity with little scrutiny over those donations; but the same thing can be achieved by sending email money transfers, PayPal transfers, etc.²

Laundering the proceeds of crime through crowdfunding sites?

While reports have suggested that crowdfunding websites have been used for money laundering, real examples of money laundering in crowdfunding are rare. Most examples of money laundering are really examples of financial fraud. A reminder to readers: in order for something to be considered money laundering, you need a predicate offence (like fraud, or drug trafficking)—this is the crime that generates the funds. The process of money laundering is hiding those criminal proceeds through the placement, layering, and integration of funds. Funds first need to be placed into the financial system; this is done through small amounts deposited by many people (‘smurfs’), business fronts, white-label ATMs, gambling, and other schemes. Layering or structuring involves moving those funds into accounts, investments, and other financial products to make tracking their original source difficult. Finally, the integration stage is where the money is returned to the criminal from what seems like legitimate sources. This could look like the proceeds from a legitimate business, investments, or even in the form of high-value goods like art work, jewellery, or perhaps NFTs.



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As you might be able to tell from this description, the use case for crowdfunding for money laundering is not particularly strong. You’d need many different individuals contributing small amounts (perhaps those ‘smurfs’ from the description above), or perhaps individuals contributing larger amounts, but that money would already need to be placed into the financial system to make it accessible for crowdfunding platforms. Criminals could use these

campaigns to move larger amounts through more generous donations, but again, these funds would already have to have been placed into the financial system, which makes other means of layering and integrating those funds more probable. However, criminals do like to make use of a diversity of tools, so it's possible that some money laundering activities have been done through crowdfunding websites.

Of perhaps more interest is the possible use of crowdfunding websites for other forms of illicit financing, such as foreign influence activities (particularly clandestine and deceptive ones). In theory, an adversary could create or leverage a particular cause and drive both interest (through automated or contrived social media posts, for instance) and funds to the cause. The adversary could make a series of small, anonymous donations, or employ a diversity of funding tactics to make these donations appear more organic. This tactic could be particularly useful for an adversary seeking to distract a government from a particular policy objective, or for one that is seeking to sow discontent and division within a country in order to achieve their own strategic objectives.

Thanks for reading! And if you found this interesting, don't forget to share it!

- 1 Vittori, Terrorist Financing and Resourcing, 61.
- 2 This section is adapted from my book, *Illicit Money: Financing Terrorism in the 21st Century*.

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